

# The Impact of Digital Neobanks on the Future of Traditional Banking: A Case of Some Selected Banks in Tanzania

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**How to cite this paper:** Yabu, N., & Lwejuna, K. F. (2026). The Impact of Digital Neobanks on the Future of Traditional Banking: A Case of Some Selected Banks in Tanzania. *American Journal of Industrial and Business Management*, 16, 110-130. <https://doi.org/10.4236/ajibm.2026.161005>

**Received:** December 31, 2025

**Accepted:** January 24, 2026

**Published:** January 27, 2026

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## Abstract

This study assessed the impact of digital neobanks on the future of traditional banking in Tanzania. The specific objective pursued by the study was to assess how digital services have led to a decline in the number of customers visiting banks, to assess how digital services have influenced the decline in the usage of checks by bank customers and to assess how digital services have led to a decline in the number of cash withdrawals at counters and ATMs. A mixed-methods research design was used based on CRDB, NMB and NBC Banks in Dar es Salaam City of Tanzania. A stratified random sampling technique was used to select three segments of 210 individuals in the sample who were 201 bank customers, 3 Bank managers and 6 bank employees. The data was collected by structured surveys and in-depth interviews and analyzed by statistical tools and thematically respectively. The findings revealed that the use of mobile banking reduced visitations to bank branches for financial services. Also, digital banking offered more a convenient way of accessing and making banking and financial services. Again, the use of cheques at CRDB bank, NMB bank, and NBC bank had declined due to digital payment methods. Moreover, ATMs were being used less due to mobile money services and high preferences towards digital banking over traditional banking services. In light of the obtained findings, this study offers useful suggestions that may enable the traditional banks to cope with the threat posed by digital neobanks and enhance customers' satisfaction. Foremost, traditional banks should leverage advanced ICT devices to ensure more convenience of their services, particularly improving accessibility to and performance of banking and financial services among customers. Secondly, traditional banks should lower fees charged on mobile banking and internet banking, specially making the fees below those of digital neobanks on similar or related services. Third, traditional banks should ensure more innovations,

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especially searching for and introducing new products and services and new ways of serving customers in all touch points.

## Keywords

Digital Banking

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## 1. Introduction

### 1.1. Background to the Study

Customer satisfaction is a critical determinant of service quality and operational efficiency in financial institutions, including central banks. The Bank of Tanzania (BoT), as the regulator of the country's financial sector, provides services to various stakeholders, including commercial banks such as CRDB, NMB and NBC banks, public institutions, businesses, and the general public. Customer satisfaction among Banks has gained significant attention globally, with the regulatory banks and individual Banks untiringly focusing on how to improve service delivery, transparency, and accessibility (Muhammad et al., 2011).

The financial sector in Tanzania has undergone a significant transformation in recent years, driven by digital banking, policy reforms, and changing customer expectations. Globally, institutions such as the Federal Reserve and the European Central Bank have adopted customer-centric strategies to enhance service delivery and stakeholder engagement (Nguyen & Dao, 2024). Studies have shown that factors such as efficiency, accessibility, responsiveness, and transparency influence customer satisfaction in banking institutions (Nguyen & Dao, 2024). However, research on stakeholders' satisfaction with bank specific services in Tanzania remains limited, making it imperative to examine service delivery effectiveness and customer satisfaction among selected Tanzania's Bank within emerging digital banking.

A customer-centric approach can enhance the credibility and trustworthiness of financial institutions (Özkan et al., 2020). For Tanzania's banks, ensuring customer satisfaction is crucial in fulfilling its mandate of maintaining financial stability and promoting economic growth. As digital banking and financial innovations reshape customer expectations, assessing bank specific service delivery is essential to ensure alignment with stakeholder needs and global best practices (Egala et al., 2021).

Despite BoT's mandate to regulate financial institutions and ensure monetary stability, there is limited research on how satisfied its stakeholders are with the service provision by the regulated banks such as CRDB, NMB and NBC. In a modern financial ecosystem, ensuring stakeholder satisfaction is increasingly important. Issues such as bureaucratic inefficiencies, limited accessibility to services, inadequate feedback mechanisms, and perceived lack of transparency may contribute to stakeholder dissatisfaction (Nguyen & Dao, 2024).

If the above challenges are not addressed, it may lead to a decline in trust and cooperation between the banks and their key stakeholders, ultimately affecting the banks' abilities to realize financial and non-financial goals. By understanding customer satisfaction with banking and financial services offered by traditional banks amid mobile and digital banking, the studies may provide valuable insights into the prevailing challenges facing traditional banking system in Tanzania. Also, it may help the banks to align their services with stakeholder expectations. This was the essence of this study to assess the impact of digital neobanks on the future of traditional banking in Tanzania

## **1.2. Research Objectives**

### **1.2.1. General Objective**

The main objective of this study is to assess the impact of digital neobanks on the future of traditional banking in Tanzania.

### **1.2.2. Specific Objectives**

- 1) Assess how digital services have led to a decline in the number of customers visiting banks.
- 2) Assess how digital services have influenced the decline in the usage of checks by bank customers.
- 3) Assess how digital services have led to a decline in the number of cash withdrawals at counters and ATMs.

## **1.3. Research Questions**

- 1) Do digital services lead to a decline in the number of customers visiting banks?
- 2) Do digital services influence the decline in the usage of checks by bank customers?
- 3) Do digital services lead to a decline in the number of cash withdrawals at counters and ATMs?

## **1.4. Significance of the Study**

This study is significant for several reasons, particularly for management of CRDB, NMB and NBC, policymakers, financial sector stakeholders, and academia. A comprehensive understanding of customer satisfaction among the studied banks provides valuable insights that can contribute to improving financial service delivery and institutional trust.

For the management of CRDB, NMB and NBC, the study helps in understanding the areas where service delivery can be enhanced to improve stakeholder experiences. Ensuring that their services meet stakeholder expectations is crucial for maintaining trust and credibility. Customer satisfaction directly impacts how stakeholders perceive banks' efficiency, responsiveness, and transparency in fulfilling its mandate. Understanding satisfaction levels can guide the banks in de-

signing customer-focused initiatives that align with international best practices in central banking.

For policymakers and regulators, this study provides data-driven insights to inform policy development and regulatory frameworks. Policymakers require accurate information on stakeholder satisfaction to design policies that improve financial inclusion, service efficiency, and institutional accountability. Insights gained from this research help to strengthen financial policies that ensure customer satisfaction remains a priority in public financial institutions.

For financial sector stakeholders, this study offers an understanding of how digital neobanks affect operations of traditional banks. The bank that prioritizes customer satisfaction creates a conducive financial environment that benefits all players in the sector. By addressing key points in service delivery, digital neobanks can improve their engagement with stakeholders and enhance overall financial stability.

For academia and researchers, this study contributes to the body of knowledge on customer satisfaction with service offering between digital neobanks and traditional banks. While customer satisfaction has been widely studied in commercial banks, limited research has been conducted by embracing the digital neobanks and traditional banks. This research fills that gap by assessing the impact of digital neobanks on the future of traditional banking in Tanzania, with emphasis on issue affected customer satisfaction. Future researchers can use the results of this study as a foundation for further exploration into customer satisfaction among digital neobanks and traditional banks.

## 2. Literature Review

### 2.1. Definitions of the Key Terms

**Customer satisfaction:** A measure of how well the services provided by an institution meet or exceed the expectations of its stakeholders (Nguyen & Dao, 2024).

**Service quality:** The degree to which a financial institution delivers services that fulfill customer expectations in terms of reliability, assurance, responsiveness, and empathy (Islam et al., 2021).

**Stakeholder engagement:** The process of involving individuals, groups, and organizations in decision-making and service delivery improvements in financial institutions (Fornell et al., 1996).

### 2.2. Theoretical Literature Review

The Expectancy Disconfirmation Theory is the most relevant framework for understanding customer satisfaction in financial institutions. The theory was developed by Oliver (1980) who suggested that customer satisfaction results from comparing expected service levels with actual service experiences. If the actual service meets or exceeds expectations, satisfaction occurs; otherwise, dissatisfaction arises (Geebren & Jabbar, 2021).

The above theory is particularly useful in the context of the Tanzania's banks,

where stakeholders, including businesses, and government institutions have expectations about service efficiency, transparency, and responsiveness. The Theory provides a foundation for evaluating whether current service delivery among traditional banks aligns with stakeholder expectations as compared to digital neobanks and where improvements may be necessary.

Empirical studies support the relevance of the above Theory in financial institutions. Research on central banks in emerging economies found that customer satisfaction is strongly influenced by the degree of transparency and efficiency in service provision (Asnawi et al., 2020). Furthermore, studies have shown that financial institutions that proactively manage stakeholder expectations and address discrepancies in service delivery tend to have higher levels of satisfaction (Nguyen & Dao, 2024). By applying the Expectancy Disconfirmation Theory, this study was able to assess how well service delivery by traditional banks met stakeholder expectations, compared to digital neobanks. Also, the Theory was relevant in identifying the areas where improvement is needed to enhance customer satisfaction among traditional banks in Tanzania.

Another important model that informs about service delivery and customer satisfaction is the SERVQUAL Model which was developed by Parasuraman et al. (1988). The model evaluates service quality using five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. This model has been widely applied in financial institutions to assess service delivery effectiveness (Parasuraman et al., 1988). The model provides a framework for traditional banks to assess their effectiveness in serving stakeholders and identifying areas for improvement in enhancing customer satisfaction.

Again, Customer Satisfaction Index (CSI) which was proposed by Fornell et al. (1996) is a useful model that measures satisfaction based on perceived service quality, customer expectations, and perceived value. The CSI provides a standardized approach for evaluating institutional performance and has been used to measure stakeholder satisfaction in central banks worldwide (Geebren & Jabbar, 2021).

### **2.3. Empirical Literature Review**

Empirical studies have examined customer satisfaction in financial institutions, particularly in the context of central and commercial banks. Studies on central banks, such as the European Central Bank, reveal that transparency, accessibility, and responsiveness significantly impact stakeholder satisfaction (Oliver, 1980). These factors are critical for traditional banks which serves multiple stakeholders and plays a role in the financial sector of Tanzania.

Research on commercial banks emphasizes the importance of digital transformation, operational efficiency, and customer engagement in improving satisfaction levels. Studies have found that financial institutions investing in technology and streamlining service processes tend to have higher satisfaction rates (Zavareh et al., 2012). These results suggest that similar strategies could enhance stake-

holder satisfaction among traditional banks in Tanzania.

In the Tanzanian financial sector, limited research has been conducted on customer satisfaction, comparing the digital neobanks and traditional banks in Tanzania. However, studies in some of Tanzanian financial institutions indicate that digital transformation and service responsiveness play a crucial role in enhancing customer satisfaction (Suprun et al., 2020). Understanding these dynamics can help traditional banks to refine their service delivery models and foster stronger stakeholder relationships.

## **2.4. Research Gap**

While extensive research exists on customer satisfaction in commercial banking, limited studies focus comparative analysis of the impact of digital neobanks on the future of traditional banking in Tanzania. Most of the available studies assess service quality in traditional financial institutions with no reflection to the emerging digital neobanks. Additionally, previous research has primarily focused on factors influencing customer satisfaction in commercial banking, with little exploration of how service quality impacts stakeholder engagement among traditional banks in the current mobile and digital banking era. This study aims to bridge this gap by assessing the impact of digital neobanks on the future of traditional banking in Tanzania.

## **2.5. Conceptual Framework**

The conceptual framework of this study is based on the relationship between service quality, customer satisfaction, and institutional trust. Service quality, which includes factors such as efficiency, accessibility, and responsiveness, directly influences customer satisfaction. Higher satisfaction levels result in greater trust in the institution, leading to increased engagement and positive perceptions of service effectiveness (Balbin-Romero et al., 2022). This framework guided the research methodology and data collection processes by this study in assessing the impact of digital neobanks on the future of traditional banking in Tanzania.

## **3. Research Methodology**

### **3.1. Research Design**

The study adopted a mixed-methods research design, incorporating both qualitative and quantitative approaches. The quantitative aspect involved surveys which were distributed to customers of CRDB, NMB, and NBC, while the qualitative aspect included structured interviews with key informants. This approach ensured in-depth understanding of the impact of digital neobanks on the future of traditional banking in Tanzania from a multiple perspective (Patton, 2020).

### **3.2. Description of the Study Area**

The study was conducted CRDB, NMB and NBC Bank based in Dar es Salaam

City of Tanzania. The above banks are among the largest financial institutions in Tanzania, providing a range of services to businesses, individuals, and government agencies. Dar es Salaam, as the financial hub of the country, hosts the headquarters of the above banks and serves as a strategic location for assessing customer satisfaction. The study evaluated customer experiences, service efficiency, and stakeholder engagement in the above banks to understand how they were impacted by digital neobanks. By concentrating in the above Banks in Dar es Salaam, the study provides insights into the broader banking landscape in Tanzania and recommend strategies for enhancing service delivery and customer satisfaction if the traditional banks are to cope with digital neobanks.

### **3.3. Sampling Procedures**

The target population for this study includes customers of CRDB, NMB, and NBC in Dar es Salaam. A stratified random sampling technique was used to ensure representation across different customer segments, including retail banking customers, business clients, and corporate customers. A sample size was 210 individuals, among them, 201 were bank customers, 3 were Bank managers and 6 were bank employees. These three segments were selected based on the population proportionate to size approach, ensuring accuracy in data collection (Patton, 2020).

### **3.4. Data Collection Methods**

Primary data was collected through structured surveys and in-depth interviews. Surveys included both closed-ended and open-ended questions in order to gather diverse perspectives on customer satisfaction. Interviews were conducted with bank managers and selected employees. Secondary data was obtained from customer feedback reports, financial service performance indices, and previous studies on banking service quality.

### **Data Analysis and Techniques**

Quantitative data was analyzed using statistical tools specifically, the Microsoft Excel Computer Program version 2016 to generate detailed descriptive statistics on the behavior of the research variables. This helped to identify key factors influencing customer satisfaction at CRDB, NMB, and NBC. Qualitative data from interviews was analyzed thematically to understand customer perceptions and experiences (Tabachnick & Fidell, 2021).

### **3.5. Ethical Considerations**

The study adhered to ethical research principles, including informed consent, confidentiality, and voluntary participation. Respondents were assured that their data was used solely for academic purposes and handled with the utmost confidentiality (Patton, 2020).

### **3.6. Validity and Reliability of Data**

Ensuring validity and reliability is crucial in research to maintain the accuracy and

consistency of results. Validity refers to how well a study measures what it is intended to measure, while reliability ensures that the results are consistent when the study is repeated under similar conditions (Creswell & Creswell, 2023).

To enhance validity, this study employed a triangulation by using multiple data collection methods, including surveys, structured interviews, and secondary data review. The questionnaire and interview guide were pre-tested in a pilot study to identify and rectify potential biases or unclear questions. Content validity was ensured by consulting banking experts and academic professionals to verify that the research instruments align with the study's objectives.

Reliability was maintained by using standardized data collection procedures and ensuring consistency in administering surveys and interviews (Tabachnick & Fidell, 2021). Additionally, inter-coder reliability was applied in qualitative data analysis to ensure consistency in thematic interpretation (Patton, 2020). By implementing these measures, the study enhanced the credibility of its results and generalizable within the context of customer satisfaction in Tanzania's banking sector.

## 4. Data Analysis and Discussion of the Results

### 4.1. Introduction

This chapter analyses and discusses the results on the impact of digital neobanks on the future of traditional banking in Tanzania based at CRDB bank, NMB bank, and NBC bank. Each bank contributed an equal number of 70 individuals who provided the data to this study. The results incorporate the responses of 201 customers of the banks who responded the survey questionnaire and the views of 3 Managers of the banks (masked as MB1-3) and 6 employees of the banks (masked as EB1-6) who were interviewed.

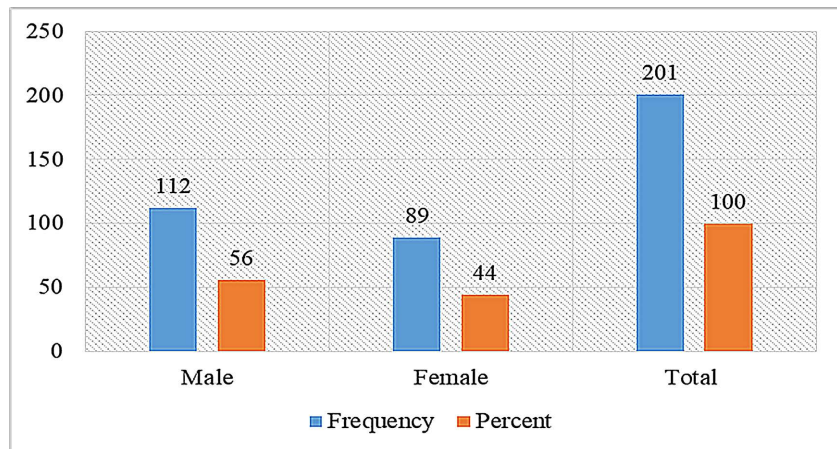
### 4.2. Demographic Characteristics of the Respondents

The study solicited data on the demographic characteristics of 201 respondents with respect of age, gender, marital status, education level and banking experience with the banks that were covered by this study. This is because having respondents who exhibit less or more of the dimensions of the above demographic variables influence the trustworthiness of the research results. The following is a summary of distribution of the respondents based by age, sex, marital status, education level and banking experience.

#### 4.2.1. Distribution of the Respondents by Gender

The respondents of the questionnaire survey were distributed by gender as shown by **Figure 1**.

Based on **Figure 1**, male represented 56% of all 201 respondents, the rest 44% being female. This reflects the actualities of bank customers who are male and female individuals, hence dependability of the responses they gave on the survey questionnaire.

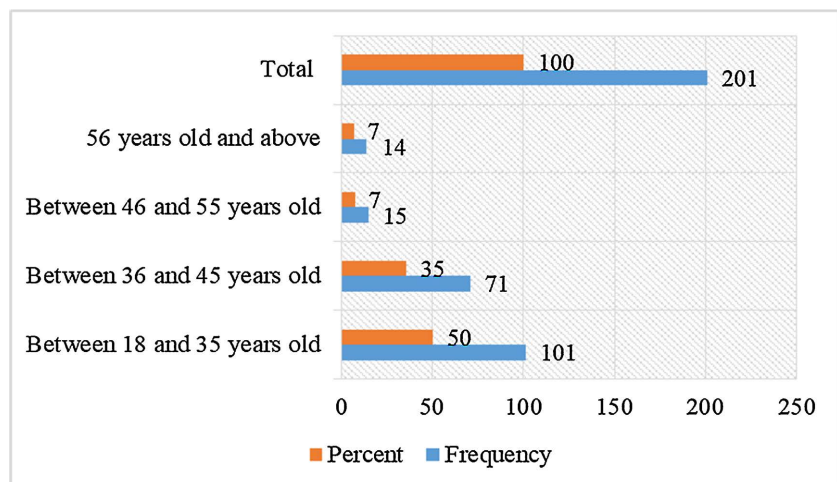


Source: Field Data June 2025.

**Figure 1.** Gender of the respondents.

#### 4.2.2. Distribution of the Respondents by Age Groups

The study determined distribution of the respondents by age groups. A summary of the results was as shown by **Figure 2**.



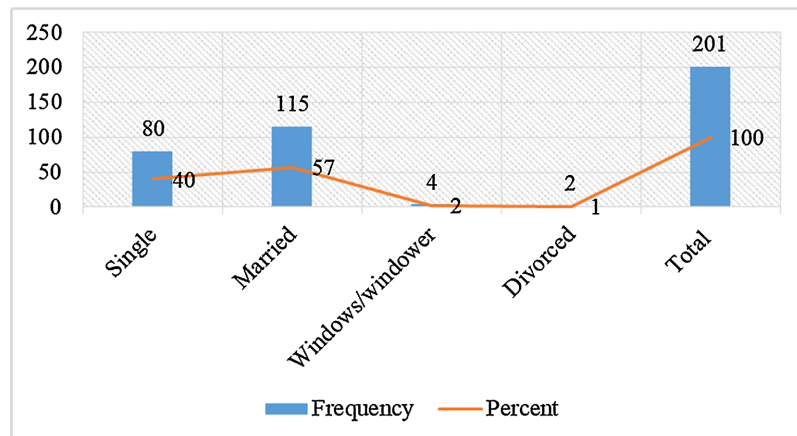
Source: Field Data June 2025.

**Figure 2.** Age groups of the respondents.

Based on **Figure 2**, the respondents were distributed into different age groups, those between 18 and 38 years old being the majority (50%) followed by those between 36 and 45 years old (35%). The respondents who were between 46 and 55 years old and 56 years and above were nearly the same (7% each). The age groups of the respondents suggest that all of 201 respondents were of mature age, which increased dependability of their responses on the survey questionnaire.

#### 4.2.3. Distribution of the Respondents by Marital Status

The data on the questionnaire survey question which asked their marital status were analyzed by this study. **Figure 3** portrays obtained results on the marital status of the respondents.



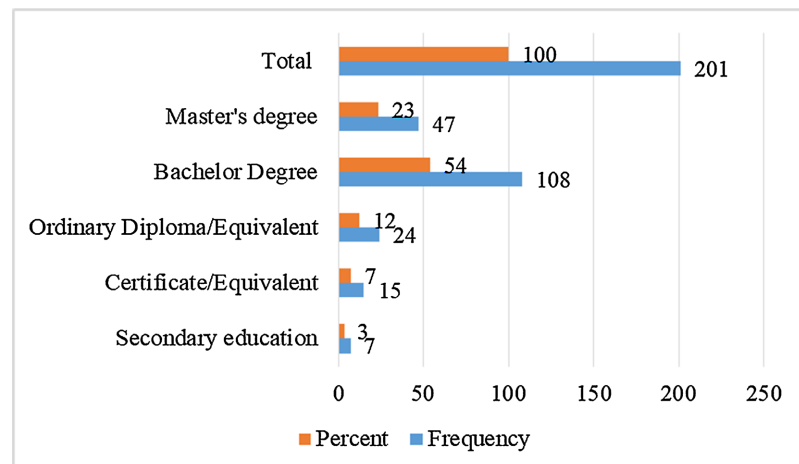
Source: Field Data June 2025.

**Figure 3.** Marital status of the respondents.

Based on **Figure 3**, all classifications of marital status featured among the respondents of this study. Married were the majority of the respondents (57%) followed by single (40%). The least percentages were occupied by windows/widowers (2%) and divorced (1%). This reflects further that the questionnaire survey was responded by customers from different social extracts, incorporating different perspectives in the responses to questionnaire survey questions ultimately, and enhancing dependability of the data.

**4.2.4. Distribution of the Respondents by Education Levels**

Education levels of the respondents of the questionnaire survey were as shown by **Figure 4**.



Source: Field Data June 2025.

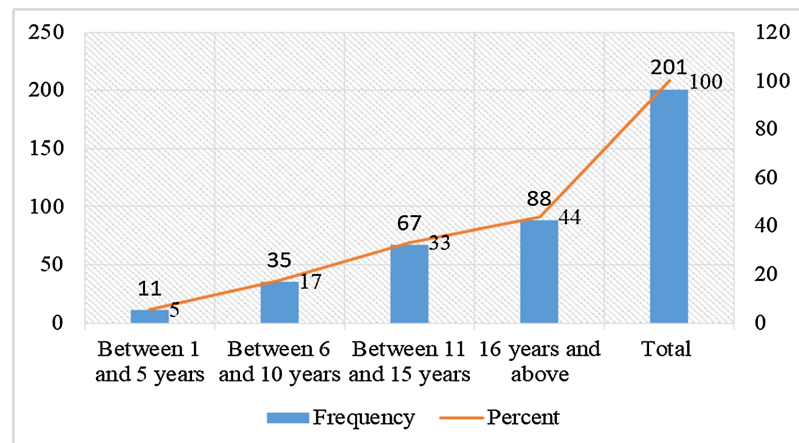
**Figure 4.** Education levels of the respondents.

By referring to **Figure 4**, majority of the respondents (54%) were holders of Bachelor degrees. This was followed by holders of Masters’ degrees who occupied 23% of all respondents. The holders of Ordinary diplomas/equivalent were 12%

of all respondents. The holders of certificate/equivalent and secondary education represented 7% and 3% of all respondents respectively. Overall implication of the education levels of the respondents is that they were able to read, understand and to write, which means that they gave true, reliable and accurate responses on the questionnaire survey questions, thus increasing reliability of the research results of this study.

#### 4.2.5. Distribution of the Respondents by Banking Experience

The respondents were required to indicate their banking experience with respective banks in years. **Figure 5** indicates the banking experience of the respondents in years.



Source: Field Data June 2025.

**Figure 5.** Banking experience of the respondents in years.

According to **Figure 5**, the respondents of the questionnaire survey had extensive experience in banking with their respective banks. Majority (44%) had banking experience of 16 years and above. This was followed by those who were between 11 and 15 years of banking experience (33%). The respondents with banking experience between 6 and 10 years were 17% of all respondents. Very few respondents (5%) had banking experience between 1 and 5 years. This implies that the respondents of the questionnaire survey had good understanding of the traditional and digital banking services, denoting reliability of the data they gave to this study.

#### 4.3. The Impact of Digital Banking Services on Customer Visits to the Traditional Banks

The first specific objective of this study was to assess how digital services have led to a decline in the number of customers visiting banks. In pursuit of this objective, the study engaged 201 respondents to provide their responses to whether or not mobile banking had reduced their need to visit a bank branch and whether or not they found digital banking services more convenient than traditional banks. The responses were recorded on five Likert scales. Descriptive analysis of the data gave

the results presented in **Table 1** and **Table 2**.

#### 4.3.1. Whether Use of Mobile Banking Reduced Need to Visit Bank Branches

The data obtained on the questionnaire survey question which stated “mobile banking has reduced my need to visit a bank branch” generated the results shown in **Table 1**.

**Table 1.** Whether use of mobile banking reduced need to visit bank branches.

	Rating scale	Frequency	Percent
<i>Mobile banking has reduced my need to visit a bank branch</i>	Strongly agree	50	24.9
	Agree	95	47.3
	Undecided	34	16.9
	Disagree	17	8.5
	Strongly disagree	5	2.5
	Total	201	100.0

Source: Field Data June 2025.

**Table 1** portrays that strongly agreed and agreed respondents on a statement “mobile banking has reduced my need to visit a bank branch” were 24.9% and 47.3% respectively. The disagreed and strongly disagreed respondents occupied 8.5% and 2.5% of all respondents respectively. Based on the majority of the respondents (72.2%) who agreed on the above statement, the use of mobile banking reduced visitations to bank branches for financial services. This echoed a negative impact of digital neobanks on the future of traditional banking in Tanzania, specifically at CRDB bank, NMB bank, and NBC bank.

Further analysis of the opinions of interview participants by MB1, MB2 and MB3 informed that all of them were aware with decline of customers who visited the bank branches as a result of growing mobile banking. The opinion was based on the interview question which asked “have you noticed a decline in branch visits due to digital banking? If so, how has your bank adapted?” MB2 offered detailed account on the phenomenon in a quote below:

The rise of mobile banking is accompanied by declining in number of customers visiting the bank branches just because of more convenience and accessibility of mobile banking services compared to traditional branch banking system. [...] it is due to similar reasons the customers decide to make financial transactions, bill payments and account management through mobile technologies which offers a faster and more efficient to handle their finances.

Considering the above negative trend, of significant number of customers of traditional banks moving to mobile banking, the respondents offered useful suggestions that the banks may use to mitigate the impact. The frequent stated sug-

gestions were further innovation in online banking and money transfers, improving customer care service, reducing charges on all digital transactions, offering fast customer support and reducing queuing in the bank branches to save time.

#### 4.3.2. Use of Digital Banking Services

The data obtained on the questionnaire survey question which asked “I find digital banking services more convenient” were analyzed and generated the results shown in **Table 2**.

**Table 2.** Whether digital banking services are more convenient over branch banking services.

	Rating scale	Frequency	Percent
<i>I find digital banking services more convenient</i>	Strongly agree	104	51.7
	Agree	80	39.8
	Undecided	10	5.0
	Disagree	5	2.5
	Strongly disagree	2	1.0
	Total	201	100.0

Source: Field Data June 2025.

Based on **Table 2**, a statement “I find digital banking services more convenient” was strongly agreed by 51.7% and agreed by 39.8%, making total agreed responses equal to 91.5% of all respondents. Disagreed and strongly disagreed respondents represented 2.5% and 1% of all respondents respectively. This implied that the digital banking offered more convenient way of access to and making banking and financial services, thus contributing to the declining number of customers visiting the traditional banks.

Further analysis of the opinions of interview participants MB1, MB2 and MB3 indicated that all there were some strategies in place to counter attack the negative effect posed by digital banking in decreasing number of customers who visited traditional banks. This was reflected by the answers on the question which stated “what strategies are in place to enhance digital banking services and their accessibility?” The follow theme emerged suggesting strategies which were in place, “...embarking on offering personalized communication, digital onboarding, enhancing mobile experiences, providing personalized offers and recommendations and incorporating features like AI-powered audio guidance and accessible interior designs”.

Furthermore, the views of interview participants EB1-EB6 reflected on the need of robust strategies to address the negative effect posed by digital banking on traditional banks in their answers on the question which asked “how has the rise of digital banking affected the way you serve customers?” EB4 provided detailed explanation as quoted:

The rise of digital banking has greatly changed the way banking and other financial services are delivered to customers, particularly in terms of speed,

personalization and accessibility. Due to that encounter, customers are increasingly expediting faster transactions, personalized financial advice and the ability to manage their financial anytime, anywhere through online and mobile technologies.

Overall findings by this study demonstrated that use of mobile banking reduced visitations to bank branches for financial services. Also, the digital banking offered more convention way of access to and making banking and financial services which contributed further to the decline in number of customers visiting the traditional banks. That is to say, digital neobanks suggest negative impact on the future of traditional banking in Tanzania as far as CRDB bank, NMB bank, and NBC bank concern. This supports Expectancy Disconfirmation Theory which claims that customer satisfaction arises from comparing expected service levels with actual service experiences (Susanto et al., 2016). The reduction in customers visting the bank branches of CRDB, NMB and NBC was influenced by satisfaction with financial offering by the mobile and digital banking which is more convention in access to and making banking services compared to traditional banking system (Oliver, 1980).

Also, the results of this study align with SERVQUAL Model which underscores the influence of reliability, responsiveness and assurance towards service quality and customer satisfaction. According to this study, the mobile and digital banking channels offered more reliable, responsive and assurance banking and financial services. This triggered customer satisfaction with digital neobanks ultimately departure from traditional branch banking system. Similarly, some previous researchers underlined the effect of service delivery effectiveness on the customer behavior. For instance, Zouari & Abdelhedi (2021) showed that customer satisfaction was strongly influenced by the degree of efficiency in service provision. Also, Poromatikul et al. (2020) revealed that financial institutions which met stakeholders' expectations had higher levels of stakeholders' satisfaction. This meaning efficiency in serve delivery (such as speedy and time saving) in mobile and digital banking helps to meet customer expectations and greater customer satisfaction.

#### **4.4. The Impact of Digital Banking Services on Usage of Cheques by Bank Customers**

A second specific objective of this study was to assess how digital services have influenced the decline in the usage of cheques by bank customers. In order to achieve this objective, the study required 201 respondents to provide their responses to whether or not the use of cheques had declined due to digital payment methods. The responses were recorded on five Liker scales. Descriptive analysis of the data gave the results presented in **Table 3**.

According to **Table 3**, a statement “the use of cheque has declined due to digital payment methods” was strongly agreed by 39.8% and agreed by 32.8%, making total agreed responses equal to 72.6% of all respondents. Disagreed and strongly

disagreed respondents represented 3% and 9.5% of all respondents respectively. By relying on the majority of the respondents, this study established that the use of cheque had declined due to digital payment methods, underscoring the negative impact of digital neobanks on the future of traditional banking in Tanzania specifically at CRDB bank, NMB bank, and NBC bank.

**Table 3.** Whether the use of cheques had declined due to digital payment methods.

	Rating scale	Frequency	Percent
<i>The use of cheque has declined due to digital payment methods</i>	Strongly agree	80	39.8
	Agree	66	32.8
	Undecided	30	14.9
	Disagree	6	3.0
	Strongly disagree	19	9.5
	Total	201	100.0

Source: Field Data June 2025.

Supplementary analysis of the views by interview participants MB1-MB3 and EB1-EB6 was made. There was convergent agreement that use of cheques had declined due to digital payment methods. Elaborations made by BM3 on the question which asked “how does your bank compare with competitors in terms of service quality and digital innovation?” reflected on the declining use of cheque payments amid growing digital payments, while also highlighting the efforts made by the banks to remain relevance with basic payment methods as cheque method. He indorsed that:

Our bank like many others is striving to enhance digital capabilities to compete with newer fintech companies and digital banks, while also maintaining its traditional service offering that account into the strengths, trust and security of the banking service as cheques payment. This is because we cannot not over rely on digital innovation just because they offer more convenient, personalized, and efficient services since some services such as bulk payments through cheque method are not easy to transact using digital payment currently.

More so, in their suggestion to whether digital banking services can completely replace traditional banking services as cheque payment, the questionnaire survey respondents reflected similar responses to BM3. The frequent appeared themes were disagreements that digital banking services can completely replace traditional banking such as cheque payment. They convinced that there are transactions need to be transacted at branch level depending on the limit transaction. Hence, the respondents were not sure if digital banking services will be powered enough by AI to completely remove bulk payment methods made through Cheque and handle more sophisticated financial issues as traditional bank networks and

to offer specific services which require personal contact with bank staff.

Considering the above results, this study established that the use of cheque had declined due to digital payment methods, meaning that the digital neobanks pose negative impact on traditional banking in Tanzania in the future, specifically at CRDB bank, NMB bank, and NBC bank. This agrees with the Expectancy Disconfirmation Theory which posts that customer satisfaction occurs once actual service performance meets or exceeds expectations, or otherwise, dissatisfaction arises (Omarini, 2017). This implies that use of cheque which compel customer to visit bank branches was declining amid digital payment method, especially if digital payment method could equally serve the purpose of cheque payments.

Also, it can be argued that digital payment method serves more value in time serving compared to cheque payment, this motivating customer to prefer digital payments. This is also explained by Customer Satisfaction Index (CSI) which explains that perceived value is an important factor of enhancing customer satisfaction, hence attraction towards the higher value service (Fornell et al., 1996). Often, digital transformation is a key for service responsiveness and plays a crucial role in enhancing customer satisfaction (Muhammad et al., 2011).

#### 4.5. The Impact of Digital Banking Services on Cash Withdrawals at Counters and ATMs

A third specific objective of this study was to assess how digital services have led to a decline in the number of cash withdrawals at counters and ATMs. In chase of this objective, the study engaged 201 respondents to provide their responses to whether or not ATMs were being used less due to mobile money services and whether or not they preferred digital banking over traditional banking services. The responses were recorded on five Liker scales. Descriptive analysis of the data gave the results presented in Table 4 and Table 5.

##### 4.5.1. Extent of Using ATMS

The data obtained on the questionnaire survey question which asked “ATMs are being used less due to mobile money services” were analyzed and generated the results presented in Table 4.

**Table 4.** Extend of using ATMs.

	Rating scale	Frequency	Percent
<i>ATMs are being used less due to mobile money services</i>	Strongly agree	68	33.8
	Agree	56	27.9
	Undecided	60	29.9
	Disagree	6	3.0
	Strongly disagree	11	5.5
	Total	201	100.0

Source: Field Data June 2025.

**Table 4** depicts that, a statement “ATMs are being used less due to mobile money services” was strongly agreed by 33.8% and agreed by 27.9%, making total agreed responses equal to 61.7% of all respondents. Disagreed and strongly disagreed respondents represented 3% and 5.5% of all respondents respectively. Based on the majority of the respondents, this study recognized that ATMs were being used less due to mobile money services, reflecting a negative impact of digital neobanks on the future of traditional banking in Tanzania specifically at CRDB bank, NMB bank, and NBC bank.

In order to mitigate the threat posed by mobile money services towards future use of ATMs by bank customers, EB1 and EB6 gave comprehensive explanations on the matter which embraced the following quote:

[...] it is very crucial to focus on enhancing ATM functionality, improving security and leveraging partnership. This may be achieved by offering features such as cardless transactions, integrating ATM with mobile payment system and maintaining strong security measures to build customer trust.

Further suggestions by EB 5 emphasized the need to ensure that ATMs widely spread to remote areas because currently they are found and concentrated in towns. EB2 opined that ATM transaction changes should be minimized much lower compared to mobile money and digital transactions services. This could attract more bank customers towards use of ATM regardless how they technology is growing and spreading, emphasized EB2.

#### 4.5.2. Preferences towards Digital Banking over Traditional Banking

The data obtained on the questionnaire survey question which asked “I prefer digital banking over traditional banking services” were analyzed and gave the results presented in **Table 5**.

**Table 5.** The preferences towards digital banking over traditional banking.

	Rating scale	Frequency	Percent
<i>I prefer digital banking over traditional banking services</i>	Strongly agree	50	24.9
	Agree	84	41.8
	Undecided	26	12.9
	Disagree	26	12.9
	Strongly disagree	15	7.5
	Total	201	100.0

Source: Field Data June 2025.

Rendering to **Table 5**, a statement “I prefer digital banking over traditional banking services” was strongly agreed by 24.9% and agreed by 41.8%, making total agreed responses equal to 66.7% of all respondents. Disagreed and strongly disagreed respondents represented 12.9% and 7.5% of all respondents respectively.

Based on the majority of the respondents, this study confirmed that the customers preferred digital banking over traditional banking services, supporting a negative impact of digital neobanks on the future of traditional banking in Tanzania specifically at CRDB bank, NMB bank, and NBC bank.

The interview participants EB1-3 and EB1-6 shared their views on why most of the customers preferred digital banking over traditional banking services. The frequently stated reasons were that digital banking is more convenient, accompanied with lower fees, and enhanced innovative features. They also offer customers with own ability to manage bank accounts and money anytime and anywhere through mobile applications and websites. So, combined with reduced costs and faster transactions, digital banking seems more attractive to most customers over traditional banking.

Based on this study, the traditional banks may thrive and compete with mobile banking and other forms of digital banking services by checking how they may ensure more convenience, lower fees, and more innovations in banking and financial services offering while leveraging the use of advanced information and communication technology (ICT) devices such as mobile phones, websites, tablets, internet, AI and so on. This agrees with propositions of The Expectancy Disconfirmation Theory which suggest that attraction and retention of customers deeply depend on satisfying customers by ensuring that expected service levels, such as speedy, timelines and cost meet with actual service experiences (Anand & Mantrala, 2019).

The study also agrees with SERVQUAL Model underscoring the importance of factors like reliability, responsiveness and assurance in influencing quality service delivery, customer satisfaction, attraction and retention (Parasuraman et al., 1988). The traditional banks may overcome the negative impact posed by digital neobanks by leveraging ICT Devices to leverage more convenient, reliable and assured service delivery. Similar empirical results were reported by Anand and Mantrala (2019) who revealed that service accessibility and responsiveness significantly impact stakeholder satisfaction. Also, Muhammad et al. (2011) showed that innovative use of technology to streamline service processes contributed positively into higher satisfaction rates. So, convenience, cost-effectiveness and innovations in banking and financial services offering strengthen the power of digital neobanks in reducing future use of ATMs and customers' preferences towards traditional banking systems.

## 5. Conclusion and Recommendation

### 5.1. Conclusion

This study assessed the impact of digital neobanks on the future of traditional banking in Tanzania, specifically aiming at assessing how digital services have led to a decline in the number of customers visiting banks, how digital services have influenced the decline in the usage of checks by bank customers and how digital services have led to a decline in the number of cash withdrawals at counters and

ATMs. A mixed-methods research design was used based on CRDB, NMB and NBC Banks in Dar es Salaam City of Tanzania. A stratified random sampling technique was used to select three segments of 210 individuals in the sample who were 201 bank customers, 3 Bank managers and 6 bank employees. The data was collected by structured surveys and in-depth interviews and analyzed by statistical tools and thematically respectively. The findings revealed that the use of mobile banking reduced visitations to bank branches for financial services. Also, digital banking offered a more convenient way of accessing and making banking and financial services. Again, the use of cheques at CRDB bank, NMB bank, and NBC bank had declined due to digital payment methods. Moreover, ATMs were being used less due to mobile money services and high preferences towards digital banking over traditional banking services.

## 5.2. Recommendations

The study recommends the following to the management of CRDB, NMB and NBC Banks in order to cope with the threat posed by digital neobanks and enhance higher customers' satisfaction.

1) They should leverage advanced ICT devices to ensure more convenience of their services, particularly improving accessibility to and performance of banking and financial services among customers. Checking the functionality of their mobile banking systems and internet banking systems is a key for this endeavor.

2) They should lower fees charged on mobile banking and internet banking, especially making the fees below those of digital neobanks. This is because by making the cost of transactions cheaper, the traditional banks are more likely to meet the needs and expectations of diverse customers, build satisfied customers ultimately high retention of their customers.

3) They should ensure more innovations beyond use of modern ICT devices such as mobile phones, websites, tablets, internet, AI, they should also continually search and introduce new products and services and new ways of service customers in all touch points.

## 5.3. Area for Further Studies

Further studies are recommended on exploring the impact of digital neobanks on the future of traditional banking in Tanzania in other commercial and non-commercial banks in Tanzania. This will help to compare the results and even make generalization of the results across the banking sector of Tanzania. This is because the current study was conducted within three commercial banks out of more than 60 banks in Tanzania which makes the results inadequate for comparison and generalization across the banking sector of Tanzania.

Also, further studies should explore service delivery processes and customers' satisfactions with banking and financial services based on five constructs of the Service Quality Model, namely: reliability, assurance, tangibles, empathy and responsiveness. This will help the traditional banks understand the key areas of ser-

vice delivery processes that require innovations and digital integration for enhancing quality service delivery and customer satisfaction.

### Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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### List of Abbreviations and Acronyms Used

AI	Artificial Intelligence
ATM	Automated Teller Machine
BoT	Bank of Tanzania
CSI	Customer Satisfaction Index
SERVQUAL	Service Quality